深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 604)

2007 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Net profit attributable to shareholders of the Company amounted to HK$701.1 million, which represents a 809.5% increase as compared with the same period last year.
- Stripping out fair value gains from investment property and related deferred taxes, net profit attributable to shareholders would have amounted to HK$421.7 million, compared to only HK$7.5 million a year earlier.
- Interim dividend per share was HK8.00 cents, increased by 166.7% as compared with the same period last year. We expect our dividend payout ratio to be higher in the second half of 2007.
- Operations in the second half of 2007 will likely be stronger than in the first half, judging from the current property development project schedule. We believe earnings growth in 2008-2009 will likely be very strong.
- So far in 2007, we secured 7,345,000 square meters (GFA) of additional land reserves, taking our total land reserves to 14,344,000 square meters (excluding our portions in associates such as Road King and Coastal Greenland).
- We have signed a framework agreement with two local governments to jointly develop a total of 29 square kilometers of land (in Guangdong and Jiangsu Provinces)

INTERIM RESULTS

The board of directors (the "Directors") of Shenzhen Investment Limited (the "Company") present the interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 together with the comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the auditors, Ernst & Young.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June 2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
REVENUE	2	**913,052**	580,500
Cost of sales		**(426,354)**	(324,850)
Gross profit		**486,698**	255,650
Other income and gains	3	**386,619**	68,429
Increase in fair value of investment properties		**452,903**	120,012
Selling and distribution costs		**(23,093)**	(10,318)
Administrative expenses		**(237,914)**	(144,672)
Other operating expenses		**(65,528)**	(67,086)
Finance costs	4	**(179,190)**	(85,942)
Share of profits and losses of associates		**186,178**	138,684
PROFIT BEFORE TAX	5	**1,006,673**	274,757
Tax	6	**(324,587)**	(36,064)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**682,086**	238,693
DISCONTINUED OPERATIONS	7		
Profit/(loss) for the period from discontinued operations		**152,933**	(53,413)
PROFIT FOR THE PERIOD		**835,019**	185,280
ATTRIBUTABLE TO:			
Equity holders of the parent		**701,084**	77,088
Minority interests		**133,935**	108,192
		835,019	185,280
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
– For profit for the period		**HK24.59 cents**	HK3.09 cents
– For profit from continuing operations		**HK19.57 cents**	HK5.24 cents
Diluted			
– For profit for the period		**HK23.72 cents**	HK3.02 cents
– For profit from continuing operations		**HK18.88 cents**	HK5.12 cents

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2007

	Notes	**30 June 2007 (Unaudited)** *HK$'000*	31 December 2006 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,440,263**	3,435,323
Intangible assets		**38,181**	37,964
Prepaid land lease payments		**3,874**	3,803
Goodwill		**199,130**	195,932
Properties under development		**3,923,356**	2,288,385
Investment properties		**3,249,491**	3,083,941
Interests in associates		**2,551,953**	2,451,628
Available-for-sale investments		**362,737**	410,852
Deferred tax assets		**178,847**	25,495
Total non-current assets		**13,947,832**	11,933,323
CURRENT ASSETS			
Inventories		**838,952**	491,432
Properties under development for sales		**289,414**	238,054
Trade receivables	*10*	**56,102**	159,932
Prepayments, deposits and other receivables		**424,793**	617,290
Financial assets at fair value through profit or loss		**825,220**	307,785
Amounts due from minority shareholders		**4,615**	48,613
Cash and cash equivalents		**4,627,502**	4,211,668
		7,066,598	6,074,774
Assets of a disposal group classified as held for sale	*7*	**191,455**	–
Interests in an associate classified as held for sale	*7*	**–**	125,845
Total current assets		**7,258,053**	6,200,619

	Notes	30 June 2007 (Unaudited) HK$'000	31 December 2006 HK$'000
CURRENT LIABILITIES			
Interest-bearing bank loans		**3,074,043**	1,876,557
Trade and notes payables	*11*	**112,909**	178,101
Other payables, receipts in advance and accruals		**1,990,364**	2,252,416
Tax payable		**341,031**	157,023
		5,518,347	4,464,097
Liabilities directly associated with the assets classified as held for sale	*7*	**125,371**	–
Total current liabilities		**5,643,718**	4,464,097
NET CURRENT ASSETS		**1,614,335**	1,736,522
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,562,167**	13,669,845
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**6,711,962**	5,506,978
Deferred tax liabilities		**625,896**	366,091
Total non-current liabilities		**7,337,858**	5,873,069
Net assets		**8,224,309**	7,796,776
EQUITY			
Total equity attributable to equity holders of the parent			
Issued capital		**149,086**	141,073
Reserves		**6,825,691**	5,737,435
Proposed dividend		**238,537**	564,008
		7,213,314	6,442,516
Minority interests		**1,010,995**	1,354,260
Total equity		**8,224,309**	7,796,776

Notes:

1. Basis of Preparation and Accounting Policies

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") as noted below.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new and revised standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed financial statements.

The Group has not applied the following new and revised HKFRSs relevant to the interim condensed consolidated financial statements that have been issued but are not yet effective.

HKFRS 8	Operating Segments
HK (IFRIC) – Int 11	Group and Treasury Share Transactions
HK (IFRIC) – Int 12	Service Concession Arrangements
HKAS 23 (revised)	Borrowing costs

HKFRS 8 replacing HKAS 14 "Segmental Reporting" and will become effective for accounting periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Company, the products and services provided by the segments, the geographical areas which the Company operates, and revenues from the Company's major customers.

HK (IFRIC) – Int 11, HK (IFRIC) – Int 12 and HKAS 23 (revised) shall be applied for annual periods beginning on or after 1 March 2007, 1 January 2008 and 1 January 2009, respectively.

2. Segmental Information

The Company is an investment holding company and the following tables present revenue, profit/(loss) and expenditure information for the Group's business segments. Substantially, all of the Group's operating businesses are with customers based in Mainland China. Accordingly, no segment analysis by geographical area of operations is provided.

	Continuing operations							Discontinued operations	
For the six months ended 30 June 2007	Property development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Property management (Unaudited) *HK$'000*	Transportation services (Unaudited) *HK$'000*	Infrastructure investment (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	Manufacturing (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Segment revenue:									
Sales to customers	399,251	152,668	212,464	79,358	25,259	44,052	913,052	129,197	1,042,249
Segment results before increase in fair value of investment properties	183,294	75,155	7,743	20,294	7,928	(1,980)	292,434	(3,030)	289,404
Increase in fair value of investment properties	–	452,903	–	–	–	–	452,903	–	452,903
Segment results after increase in fair value of investment properties	183,294	528,058	7,743	20,294	7,928	(1,980)	745,337	(3,030)	742,307
Interest income, dividend income and unallocated gains, net							315,254	190,252	505,506
Unallocated expenses							(60,906)		(60,906)
Finance costs							(179,190)	(3,536)	(182,726)
Share of profits and losses of associates	47,058	71,571	1,464	2,813	–	–	122,906	–	122,906
Unallocated share of profits of associates						–	63,272	–	63,272
Profit before tax							1,006,673	183,686	1,190,359
Tax							(324,587)	(30,753)	(355,340)
Profit for the period							682,086	152,933	835,019

For the six months ended 30 June 2006	Continuing operations								Discontinued operations			
	Property development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Property management (Unaudited) *HK$'000*	Transportation services (Unaudited) *HK$'000*	Manufacturing (Unaudited) *HK$'000*	Infrastructure investment (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	Manufacturing (Unaudited) *HK$'000*	Information technology (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Segment revenue:												
Sales to customers	134,256	159,678	164,318	77,468	328	–	44,452	580,500	158,964	–	158,964	739,464
Segment results before increase in fair value of investment properties	29,961	87,448	7,237	14,911	(704)	349	1,797	140,999	5,353	–	5,353	146,352
Increase in fair value of investment properties	–	120,012	–	–	–	–	–	120,012	–	–	–	120,012
Segment results after increase in fair value of investment properties	29,961	207,460	7,237	14,911	(704)	349	1,797	261,011	5,353	–	5,353	266,364
Interest income, dividend income and unallocated gains, net								39,488			248	39,736
Unallocated expenses								(78,484)			–	(78,484)
Finance costs								(85,942)			(3,131)	(89,073)
Share of profits and losses of associates	13,687	1,121	1,293	3,406	–	119,177	–	138,684	(19,674)	(35,082)	(54,756)	83,928
Profit before tax								274,757			(52,286)	222,471
Tax								(36,064)			(1,127)	(37,191)
Profit for the period								238,693			(53,413)	185,280

3. Other Income and Gains

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**71,207**	35,763
Rental income	**17,650**	11,329
Fair value gains, net:		
Financial assets at fair value through profit or loss		
Investments in securities	**62,404**	–
Investment in convertible bonds	**150,673**	–
Gain on disposal of associates	**–**	951
Gain on disposal of available-for-sale investments	**5,942**	–
Exchange gain	**16,913**	1,673
Others	**61,830**	18,713
	386,619	68,429

4. Finance Costs

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**240,537**	108,362
Less: Amounts capitalised under properties development projects	**(61,347)**	(22,420)
	179,190	85,942

5. Profit before Tax

Profit before tax was determined after charging/(crediting) the following:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**36,996**	25,570
Amortisation of intangible assets	**934**	885
Increase in fair value of investment properties	**(452,903)**	(120,012)
Gain on disposal of associates	**–**	(951)
Net (gain)/loss on disposal of items of property, plant and equipment	**(2,033)**	2,099
Provision for doubtful debts	**2,435**	3,543

6. Tax

Hong Kong profits tax had not been provided in the financial statements as the Group did not derive any assessable profits in Hong Kong during the period. Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Land appreciation tax ("LAT") in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Current – Mainland China corporate income tax	**98,715**	33,506
Current – LAT in Mainland China	**201,520**	–
Deferred – Mainland China corporate income tax	**134,100**	2,558
Deferred – LAT in Mainland China	**(109,748)**	–
Total tax charge for the period	**324,587**	36,064

Share of tax attributable to associates amounting to HK$28,137,000 (six months ended 30 June 2006: HK$19,888,000) is included in "Share of profits and losses of associates" on the face of the interim condensed consolidated income statement.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which will be effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 will be decreased from 33% to 25% or progressively increased from 15% to 25% within 5 years. This unification in the corporate income tax rate will directly reduce or increase the Group's effective tax rate prospectively from 2008. According to HKAS 12, the deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the temporary differences of the deferred tax assets and liabilities which are expected to be realised or settled after 1 January 2008 are measured at the tax rate of 25%.

At the date of approval of the interim condensed consolidated financial statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial position of future periods as more detailed requirements are issued.

7. Discontinued operations

On 18 June 2007, the Group entered into contracts to dispose its entire equity interests in three subsidiaries, Shenzhen PJLD Securities Products Co., Ltd., Shenzhen Shum Yip Steel Centre Ltd. and Shenzhen Jinghua LCD Ltd. (collectively refer to as the "Disposal Group"). The Disposal Group engages in manufacturing and sale of industrial and commercial products and is a separate business segment of the Group's operations. The Group has decided to cease its manufacturing business because it plans to focus its resources on its property development business. The disposal of the Disposal Group is expected to be completed before end of 2007. As at 30 June 2007, final negotiations for the sales were in progress and the Disposal Group was classified as a disposal group held for sale.

The Group has decided to dispose its entire 31.1% interest in Shenzhen Topway Video Communication Co., Ltd. ("Shenzhen Topway"), an associate of the Group established in Mainland China. Shenzhen Topway engages in the provision of cable TV and other communication network technology services in Shenzhen. On 22 December 2006, the transaction was published for public bidding in the Shenzhen Enterprise Ownership Exchange Centre and was completed in January 2007. The Group has entered into a contract to sell all its interests in Shenzhen Topway to Shenzhen Media Group Co., Ltd (the "SMG"), an independent third party incorporated in Mainland China. The disposal of Shenzhen Topway was completed as at 30 June 2007.

The results of the discontinued operation for the period are presented below:

	Manufacturing For the six months ended 30 June		Information Technology For the six months ended 30 June	
	2007	2006	**2007**	2006
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**129,197**	158,964	**–**	–
Cost of sales	**(110,891)**	(137,823)	**–**	–
Other income and gains	**3,946**	9,983	**190,131**	–
Selling and distribution costs	**(9,980)**	(8,463)	**–**	–
Administrative expenses	**(11,584)**	(16,679)	**–**	–
Other operating expenses	**(3,597)**	(381)	**–**	–
Finance costs	**(3,536)**	(3,131)	**–**	–
Share of profits and losses of associates	**–**	(19,674)	**–**	(35,082)
Profit before tax from discontinued operations	**(6,445)**	(17,204)	**190,131**	(35,082)
Tax	**(168)**	(1,127)	**(30,585)**	–
Profit/(loss) for the period from discontinued operations	**(6,613)**	(18,331)	**159,546**	(35,082)

The major classes of assets and liabilities of the Disposal Group and interest in Shenzhen Topway were classified as held for sale as at the balance sheet date as follows:

	Manufacturing		**Information Technology**	
	30 June 2007 (Unaudited)	31 December 2006	**30 June 2007 (Unaudited)**	31 December 2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Assets				
Fixed assets	**55,173**	–	**–**	–
Interests in associates	**3,388**	–	**–**	–
Cash and cash equivalents	**31,047**	–	**–**	–
Trade receivables	**48,101**	–	**–**	–
Prepayments, deposits and other receivables	**12,885**	–	**–**	–
Inventories	**40,861**	–	**–**	–
Assets classified as held for sale	**191,455**	–	**–**	–
Interests in an associate classified as held for sale	**–**	–	**–**	125,845
Liabilities				
Interest-bearing bank loans	**35,506**	–	**–**	–
Trade payables	**25,756**	–	**–**	–
Tax payable	**1,017**	–	**–**	–
Other payables, receipts in advance and accruals	**63,092**	–	**–**	–
Liabilities directly associated with the assets classified as held for sale	**125,371**	–	**–**	–
Net assets directly associated	**66,084**	–	**–**	125,845

The net cash flows from the discontinued operations are as follows:

	Manufacturing For the six months ended 30 June		Information Technology For the six months ended 30 June	
	2007	2006	**2007**	2006
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Operating activities	**(7,005)**	77,959	**–**	–
Investing activities	**73,126**	–	**151,533**	–
Financing activities	**4,116**	(74,077)	**–**	–
Net cash inflow	**70,237**	3,882	**151,533**	–

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
Earnings/(loss) per share:		
Basic, from the discontinued operations	**HK5.02 cents**	(HK2.15 cents)
Diluted, from the discontinued operations	**HK4.84 cents**	(HK2.10 cents)

The calculations of basic and diluted Profit/(loss) per share amounts from the discontinued operations are based on:

	For the six months ended 30 June	
	2007	2006
Profit/(loss) for the period from discontinued operations	**HK$152,933,000**	HK$(53,413,000)
Results attributable to minority interests	**HK$(9,802,000)**	HK$(116,000)
Profit/(loss) attributable to ordinary equity holders of the parent from the discontinued operations	**HK$143,131,000**	HK$(53,529,000)
Weighted average number of ordinary shares in issue during the period used in the basic profit per share calculation	**2,850,743,335**	2,493,822,344
Weighted average number of ordinary shares used in the diluted profit per share calculation	**2,955,485,319**	2,550,603,529

8. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share amounts are based on:

		For the six months ended 30 June	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Earnings			
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation			
From continuing operations		**557,953**	130,617
From discontinued operations	*7*	**143,131**	(53,529)
		701,084	77,088

	For the six months ended 30 June	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,850,743,335**	2,493,822,344
Effect of dilution – weighted average number of ordinary shares:		
Share options	**104,741,984**	56,781,185
	2,955,485,319	2,550,603,529

9. Dividend

At a meeting of the board of directors held on 11 September 2007, the directors resolved to pay an interim dividend to shareholders of HK8.00 cents per share (six months ended 30 June 2006: HK3.00 cents per share).

10. Trade Receivables

Under normal circumstances, the Group does not grant credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are regularly reviewed by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at balance sheet date, based on invoice date, net of provision for impairment, is as follows:

	30 June 2007 (Unaudited) *HK$'000*	31 December 2006 *HK$'000*
Within one year	**51,652**	147,903
One to two years	**4,301**	11,921
Two to three years	**149**	108
Total	**56,102**	159,932

11. Trade and Notes Payables

An aged analysis of trade and notes payable as at the balance sheet date, based on invoice date, is as follows:

	30 June 2007 (Unaudited) *HK$'000*	31 December 2006 *HK$'000*
Within 1 year	**73,816**	121,078
1 to 2 years	**3,381**	6,642
2 to 3 years	**2,616**	3,069
Over 3 years	**33,096**	47,312
Total	**112,909**	178,101

12. Pledge of Assets

As at the balance sheet date, the Group's bank loans amounting to HK$1,739,568,000 (31 December 2006: HK$1,628,608,000) were secured by:

(i) certain of the Group's properties under development with a net book value of approximately HK$364,979,000 (31 December 2006: HK$122,737,000 and land and buildings with an aggregate value of approximately HK$5,730,000);

(ii) certain of the Group's completed properties for sale with a net book value of approximately HK$3,230,000 (31 December 2006: HK$6,209,000); and

(iii) the ownership of Jingdong Expressway. The net book value of Jingdong Expressway was approximately HK$3,016,253,000 (31 December 2006: HK$2,913,082,000).

13. Capital Commitments

	30 June 2007 (Unaudited)	31 December 2006
	HK$'000	*HK$'000*
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**4,445,007**	268,075

14. Contingent Liabilities

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

		30 June 2007 (Unaudited)	31 December 2006
		HK$'000	*HK$'000*
(i)	Guarantees for credit facilities granted to:		
	Associates	**7,086**	6,877
	A third party	**–**	19,934
		7,086	26,811

(ii) At 30 June 2007, the Group has given guarantees to a maximum extent of approximately HK$747,983,000 (31 December 2006: HK$678,246,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate or up to a maximum of two years after the full repayment of mortgaged loan by the purchasers of the Group's properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.

15. Comparative amounts

The comparative condensed income statement has been restated as if the operations discontinued during the current period had been discontinued at the beginning of the comparative period *(Note 7).*

MANAGEMENT DISCUSSIONS AND ANALYSES

Business review

In the first half of 2007, the Group's turnover reached HK$913.1 million, representing an increase of 57.3% over the same period last year. Profit before tax amounted to HK$1,006.7 million, representing an increase of 266.4% over the same period last year. Net profit attributable to shareholders was HK$701.1 million, representing a rise of 809.5% as compared with the same period last year. Net profit attributable to shareholders, if the change in fair value of investment property and the effects of the relevant deferred tax were excluded, would amount to HK$421.7 million, as compared with HK$7.5 million over the same period last year.

Property development

During the period, the total completed area of property of the Group amounted to 137,000 square meters, of which 95,000 square meters were attributable to our subsidiaries. Share of the total completed area of property interests of our associates (excluding Road King Infrastructure Limited and Coastal Greenland Limited) amounted to 42,000 square meters.

As most of the units expected to be recognized in this year will be delivered in the second half of this year, the total area recognized under the subsidiaries of the Group in the period, which amounted to 95,000 square meters, represents sales of remaining units. Among the above area, 25,000 square meters were transferred to our investment property portfolio, and the rest (70,000 square meters) were sold externally. Sales revenue was HK$399.3 million, up 197.4% from the same period last year. Our average gross profit margin was 70%, 26 percentage points higher than the same period last year. The increase was not attributable to any special or one-off factor. As of 30 June 2007, the gross floor area of Shumyip Coast Phase II, which was contracted for pre-sale but has not yet been accounted for, was approximately 85,000 square meters, the contract value of which amounted to HK$873.6 million. Such pre-sale income will be recognised in the second half of the year.

Property under construction and land reserves

During the period, the Group's 13 property projects under construction with a total gross floor area of 1,355,000 square meters progressed on schedule. Seven of these projects with a total gross floor area of 703,000 square meters, will commence pre-sale in the second half of the year.

Currently, the Group has relatively sufficient land resources in major cities of the Pearl River Delta and central China with a total gross floor area of approximately 14,344,000 square meters, of which 10,148,000 square meters are attributable to the Group. These figures do not include the Group's attributable portions in Coastal Greenland and Road King, amounting to 1,035,000 square meters and 1,467,000 square meters, respectively. Among the additional land reserve obtained during 2007 with a total gross floor area of 7,345,000 square meters, 6,082,000 square meters are attributable to the Group.

Table of Land Reserve by Location (including projects in progress)

Provinces	Cities	GFA	Attributable GFA	Percentage
		sqm	*sqm*	*%*
Guangdong	Shenzhen	2,326,452	1,738,377	17.1%
	Huizhou	1,457,917	1,435,487	14.2%
	Dongguan	2,560,318	1,011,362	10.0%
	Panyu	488,118	183,044	1.8%
	Nanhai	291,979	109,492	1.1%
	Foshan	1,572,737	1,572,737	15.5%
	Heyuan	1,530,000	1,530,000	15.1%
Hubei	Wuhan	509,918	348,117	3.4%
Hunan	Changsha	993,749	794,999	7.8%
Anhui	Chaohu	162,100	129,680	1.3%
Jiangsu	Taicang	850,000	318,750	3.1%
	Changzhou	718,437	269,414	2.6%
	Taizhou	627,103	627,103	6.2%
Liaoning	Shenyang	255,380	79,575	0.8%
Total		**14,344,208**	**10,148,137**	**100.0%**

In Huizhou, Guangdong Province, we signed a framework agreement with Huidong County Government to jointly develop a 17-square-kilometer coastal resort. In Taizhou City, Jiangsu Province, we signed another framework agreement with the city government to jointly develop a 12-square-kilometer new city centre. The respective joint ventures will build infrastructure in these two places by connecting the landsites to supplies of electricity, water and telecoms. In some cases, the work involves building a road loop. Once the land is developed and auctioned off, we will split the profit with the governments. This business model involves less capex and less risk-taking on our part, and enhances our probability of eventually securing land reserves. On a risk-adjusted basis, we think this business model is highly attractive.

Property investment

During the period, the Group's property investment business remained on a steady upward track, recording a rental income of HK$152.7 million (similar to the corresponding period last year) despite a significant reduction in the total area of our investment property portfolio from approximately 932,000 square meters in the beginning of the year to approximately 700,000 square meters due to the splitting off of a subsidiary during the period. During the period, revaluation gain of our investment property amounted to HK$452.9 million. Such gain has been included in the profit of the period.

Returns of Property Investment

	As at 30 June 2007	As at 30 June 2006	As at 31 December 2006
Total gross floor area *(sqm)*	**702,609**	919,905	932,823
Attributable gross floor *(sqm)*	**543,841**	631,486	673,312
Fair value of investment property *(HK$'000)*	**3,249,491**	2,871,046	3,083,941
Total assets of the Group *(HK$'000)*	**21,205,885**	12,823,409	18,133,942
Total liabilities of the Group *(HK$'000)*	**7,213,314**	4,729,741	6,442,516
Ratio of investment property to total assets *(%)*	**15.3%**	22.4%	17.0%
Ratio of investment property to net assets *(%)*	**45.0%**	60.7%	47.9%

	For the six months ended 30 June		Year ended 31 December
	2007	2006	2006
Rental income *(HK$'000)*	**152,668**	159,678	335,993
Segment results before change in fair value *(HK$'000)*	**75,155**	87,448	246,851
Increase in fair value during the period *(HK$'000)*	**452,903**	120,012	257,739
Segment results including change in fair value *(HK$'000)*	**528,058**	207,460	504,590

Infrastructure

During the period, Road King Intrastructure Limited, a Hong Kong listed company in which the Group has invested, showed satisfactory performance and contributed HK$69.1 million to the Group's net profit, representing an increase of 13.6% from the same period last year.

Jingdong Expressway, which is managed and operated by our subsidiary, Hubei Jingdong Expressway Construction and Development Company Limited, was still at the stage of trial operation, and thus its vehicles flow has not reached the expected normal level. The Group's share of loss of the company amounted to HK$40.0 million during the period.

Discontinued operations

During the period, the Group completed the disposal of 31.1% shares in Shenzhen Topway Video Communication Co., Ltd., achieving a net gain after tax of approximately HK$159.5 million. Such gain has been included in the profit of the period.

During the period, pursuant to the Company's strategy of concentrating on core activities, most of our industrial operations were disposed of.

Post balance sheet events

On 30 April 2007, the Group entered into a sale and purchase agreement through a wholly-owned subsidiary for the acquisition of shares in five special purpose companies. These five special purpose companies hold an aggregate of 26% equity interest in Shenzhen Terra (Holdings) Co., Ltd. ("Terra"), a subsidiary of the Group. The Group has settled part of the consideration on 10 July 2007 and 30 July 2007 respectively in the aggregate amount of RMB368.8 million (equivalent approximately to HK$378.7 million). As at the end of the period, the Group directly held 51% equity interest in Terra. The Group will hold an addition of 26% indirect equity interest in Terra subject to the completion of such transaction. Details of the transaction have been set out in the circular of the Company dated 25 May 2007.

On 26 June 2007, the Group signed a letter of intent for the proposed disposal of its 29% equity interest in Shenzhen Gaofa Investment Holding Ltd ("Shenzhen Gaofa"). Shenzhen Gaofa is a professional real estate development company. This transaction is expected to be completed within the year.

On 19 July 2007, the Group received the first instalment of payment from Ping An Insurance (Group) Company of China, Ltd. for the acquisition of a 49% equity interest in Hubei Huayin Traffic Development Company Limited. The transaction is progressing on schedule and is currently in its final stages. It is expected to be completed during the year.

On 19 July 2007, the Group signed a framework agreement for the disposal of its 100% equity interest in Shenzhen Yabao Property Development Co., Ltd.. Such transaction is pending authorization.

On 23 July 2007, the Group converted its convertible bonds of US$40 million in Coastal Greenland Limited ("Coastal Greenland") into 443,862,857 shares thereof at the price of HK$0.7 per share, representing approximately 16.1% of the enlarged issued share capital of the company. As a result, the Group's interest in Coastal Greenland increased to 21.96%.

On 24 July 2007, the Group placed 200,000,000 new shares to various professional institutional investors at a price of HK$6.56 per share. The net proceeds from this placing amounted to HK$1,283.0 million, and will be mainly used for land acquisitions and property development.

Financial conditions

As at 30 June 2007, the Group's financial position remained healthy, with net asset after minority interests amounting to HK$7,213.3 million, cash on hand of HK$4,627.5 million, and total bank borrowings of HK$9,786.0 million (including specific borrowings of HK$1,639.0 million for infrastructure projects), among which, approximately HK$5,561.1 million were borrowings with floating interest rate while the remaining were borrowings with fixed interest rate. The long-term and short-term borrowings amounted to HK$6,712.0 million and HK$3,074.0 million respectively. The ratio of net debt to net asset after minority interests was 71.5%. However, the Group's ratio of net debt to net asset after minority interests would only be 48.8% if the specific borrowings for infrastructure projects were excluded.

As the Group's cash inflow from operations is mainly denominated in Renminbi, while our assets held and liabilities assumed are mostly denominated in Renminbi and US dollar. The fluctuations in the exchange rate of Renminbi has brought positive financial impact to the Group in the shortrun. Moreover, during the period, the Group did not enter into any financial instrument for hedging purposes.

Shareholding structure

During the period, the Group granted 20,000,000 share options to its employees with an exercise price of HK$3.54 per share. During the period 87,950,000 share options were exercised, and 2,000,000 options were cancelled.

During the period, the Company paid the 2006 final dividend and special dividend by way of scrip, and 72,318,124 new shares were issued to shareholders who chose to receive shares in lieu of cash. As at 30 June 2007, the Company's issued share capital amounted to 2,981,718,090 shares (31 December 2006: 2,821,449,966 shares).

Number of Employees and Remuneration

As at 30 June 2007, the Group employed 12,017 staff, 37 of which are in Hong Kong mainly responsible for management and financial matters. The remaining staff worked in the mainland.

The staff's remuneration of the Group is determined by reference to personal working performance, professional qualification, industry experiences and relevant market trends. The management of the Group will regularly review our remuneration policy and evaluate the staff's working performance.

The staff's remuneration includes salary, allowance, medical insurance and the Mandatory Provision Fund. The Group will allocate bonus based on factors such as individual performance and the results of the Group and grant share options to the staff under the share option scheme of the Group.

Business outlook

China's household incomes have risen rapidly in recent years on the backdrop of a strong economy. The combined effects of urbanisation, demographic changes and appreciation of Renminbi have attracted more capital inflow towards the property market and resulted in higher prices in land and property and more business opportunities for the real estate industry. In the meantime, the PRC government has issued a series of land and credit policies to tighten the entry barrier for the industry and accelerate the reallocation of resources. We believe that the new operating environment for the industry will create new opportunities for outstanding enterprises. The Group is therefore confident about the future development of the Company.

The Group puts emphasis on cultivating its ability to achieve sustainable development. We believe our path to success and leadership in the industry can be achieved by building up quality land reserves, accelerating growth momentum as well as improving profitability and financial management. We aim at maintaining land reserves with an planned gross floor area of approximately 15.0 million square meters.

Looking forward, the Group will continue speeding up its development to improve its profitability. During the second half of 2007, the Group will launch two featuring property projects, namely, Noah Mountain Forest in Changsha and Wanlin Lake in Huizhou for pre-sale and plan to deliver the projects by the end of the year. We estimate that the total areas booked for the year will amount to approximately 317,000 square meters and the gross floor area attributable to the Group will be approximately 290,000 square meters. It is expected that the gross floor area of the Group's completed projects will reach 1,407,000 square meters and the gross floor area attributable to the Group will be approximately 840,000 square meters in 2008.

Expected completion in the second half of 2007

Project	Location	Usage	GFA	Stake	Attributable GFA
			sqm		*sqm*
Noah Mountain Forest Phase I	Changsha	Residential	112,053	80.0%	89,642
Wanlin Lake Phase I (Part I)	Huizhou	Residential	80,000	100.0%	80,000
Tian'an (Longgang) Digital City Phase I	Shenzhen	Industrial	66,323	37.5%	24,871
Tian'an (Panyu) Phase III	Panyu	Industrial	91,930	37.5%	34,474
Shumyip Coast Phase II (Part 2)	Shenzhen	Residential/ Commercial	126,900	100.0%	126,900
Tianan (Panyu) Hi-tech Phase IV (Factory)	Panyu	Industrial	71,251	37.5%	26,719
Total			548,457		382,606

Expected completion in 2008

Project	Location	Usage	GFA	Stake	Attributable GFA
			sqm		*sqm*
Noah Mountain Forest Phase II	Changsha	Residential	120,000	80.0%	96,000
Wanlin Lake Phase I (Part 2, 3)	Huizhou	Residential	119,967	100.0%	119,967
Longdian Industrial City	Shenzhen	Industrial	88,819	100.0%	88,819
Wuhan Nanhu Rose Bay Phase I (Part 2/3)	Wuhan	Residential	152,539	52.5%	80,083
Golf Seaview Garden Phase III	Shenzhen	Residential	151,838	37.5%	56,939
Tian'an (Longgang) Digital City Phase II	Shenzhen	Industrial	100,000	37.5%	37,500
Tian'an (Nanhai) Digital City Phase I	Nanhai	Industrial	68,523	37.5%	25,696
Tian'an (Panyu) Phase IV (Residential)	Panyu	Residential	55,022	37.5%	20,633

Project	Location	Usage	GFA	Stake	Attributable GFA
			sqm		*sqm*
Tian'an (Buji) Hongda Building	Shenzhen	Residential/ Commercial	95,559	37.5%	35,835
Shumyip Coast Phase III (Part I)	Shenzhen	Residential/ Commercial	170,000	100.0%	170,000
Dongguan Nancheng Project (villa part)	Dongguan	Residential/ Commercial	29,400	100.0%	29,400
Shenyang Wuai Project	Shenyang	Residential/ Commercial	205,170	28.8%	59,089
Jiangxi Taihe Bus Station	Jiangxi	Residential/ Commercial	50,210	40.8%	20,486
Total			1,407,047		840,447

In the future, we will make Shenzhen our base while expanding our business to the central regions such as the Pearl River Delta and the Yangtze River Delta. Through reasonable distribution of land reserves, we can avoid the risks arising from regional changes and gradually expand our business presence throughout the PRC to achieve success and leadership in the industry.

INTERIM DIVIDEND

The board of directors of the Company have resolved to declare an interim dividend of HK8.00 cents per share for the six months ended 30 June 2007 (2006: HK3.00 cents). The total amount of the dividend will be HK$238,537,000 (2006: HK$74,905,000). The dividend will be payable on 25th October 2007 to shareholders whose names appear on the Register of Members on 17th October 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 15th October 2007, to Wednesday , 17th October 2007 (both dates inclusive). In order to qualify for the interim dividend, all completed transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Tricor Standard Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 12th October 2007.

CORPORATE GOVERNANCE

During the six months ended 30 June 2007, the Company has complied with the code provisions of the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WONG Po Yan and Mr. WU Wai Chung, Michael and one non-executive director namely Mr. LEE Yip Wah, Peter. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30 June 2007.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors of the Company, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

DISCLOSURE OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The 2007 Interim Report of the Company containing all the information required by Appendix 16 of the Listing Rules will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company and will be sent to shareholders of the Company as soon as practicable.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my gratitude to all shareholders, the public and our employees of the Group for their unfailing support, assistance and dedication.

By Order of the Board
HU Aimin
Chairman

As at the date of this notification, the Board comprises 14 directors, of which Mr. HU Aimin, Mr. ZHANG Yijun, Mr. ZHAO Gesheng, Mr. XIAO Rihai, Mr. LIANG Kaiping, Mr. LIU Weijin, Mr. ZHANG Huaqiao and Mr. TAM Ping Lung are the executive directors of the Company, Mr. LEE Yip Wah, Peter, Dr. WU Jiesi and Mr. HU Zuoyuan are the non-executive directors of the Company and Mr. WONG Po Yan, Mr. LI Wai Keung and Mr. WU Wai Chung, Michael are the independent non-executive directors of the Company.

Hong Kong, 11th September 2007